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No. 94-___

In The

Supreme Court of the United States

October Term, 1994

MODERN GRAPHIC ARTS, INC.,
a Florida Corporation,
and
TIMES PUBLISHING COMPANY, A Florida Corporation
d/b/a ST. PETERSBURG TIMES,

Petitioners,

vs.

WILLIAM C. BEDINGHAUS, ROBERT D. BACON,
BARBARA J. ORR, Individually
and as Class Representatives,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Eleventh Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Employer Modern Graphic Arts, Inc. (hereinafter "MGA") was a printing enterprise with 100% of its stock owned by Times Publishing Company (hereinafter "Times"). MGA provided its employees with various employee benefits including severance benefits that became due if the employee was "discharged" from employment. In 1989, the Times sold 100% of the MGA assets to a successor owner who continued to operate the business and continued to employ the entire MGA staff. Respondents Bedinghaus, Bacon and Orr (hereinafter "Plaintiffs") were MGA employees who worked for MGA before and after the sale. They claimed that the Times and/or MGA owed them severance benefits because, by virtue of the asset sale, and despite uninterrupted, unchanged jobs, the employees characterized themselves as "discharged". The administrators of the Times and MGA severance plans denied entitlement on the grounds that there had been no "discharge" or "termination" as those terms are used in the plans, because the employees continued to be employed in the same job with the same duties and responsibilities, compensation and comparable benefits without interruption.[1] The only substantive

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[1] The Times denied any entitlement on the grounds that MGA employees were never employed by or participants in the Times plan and, even if they had qualified as employees, there was no severance entitlement because there had been no "discharge" or "termination" as such terms are used in the Times severance plan.

QUESTIONS PRESENTED – Continued

change was the identity of the owner and such did not trigger severance benefit entitlement.

Plaintiffs sued individually and as representatives of the class of all MGA employees, claiming wrongful denial of severance benefits governed by the Employee Retirement Income Security Act, 29 U.S.C. § 1001 *et seq.* ("ERISA"). On cross-motions for summary judgment, the district court held that the Plaintiffs were not entitled to benefits because there had been no "discharge" or "termination" under the terms of the plans.

On appeal, the Eleventh Circuit reversed the district court, holding that severance benefits were due despite the fact that each employee continued to be employed with the successor owner without interruption.

This Petition presents the following questions:

1. Is the circuit court's holding, that severance pay is due merely upon a change of corporate ownership where employment continues without interruption or any substantive change, in conflict with other circuit courts which have considered essentially identical issues?

2. Did the circuit court err in holding that severance benefits are due where employment continues without interruption and the only significant event involves a change in the ownership of the employer?

3. Does the split in decision between circuits concerning entitlement to severance pay where employer

QUESTIONS PRESENTED – Continued

ownership changes but jobs remain the same, create conflicts in ERISA rights and remedies, based on nothing more than geographical location?

4. Do the terms "terminate" and "discharge" from employment, as applied to continuing employment during a change in employer ownership with no job loss or interruption, present an ambiguity which, under the Supreme Court's directive in *Firestone Tire & Rubber Co. v. Bruch*, 489 U.S. 101 (1989), requires the court to consider evidence of the employer's intent in creating the plan, and the past practice of the employer in administering the benefit?

THE PARTIES AND RULE 29.1 LIST

The individually named parties to the proceeding below appear in the case caption. Pursuant to Supreme Court Rules 14.1(b) and 29.1, Petitioners Modern Graphic Arts, Inc. and the Times Publishing Company list the following entities as related companies or subsidiaries:

MGA Holdings, Inc.
Modern Graphic Arts, Inc.
The Times Publishing Company

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

THE PARTIES AND RULE 29.1 LIST..... iv

TABLE OF CONTENTS..... v

TABLE OF AUTHORITIES..... vii

OPINIONS BELOW..... 2

JURISDICTION..... 2

STATUTORY PROVISIONS INVOLVED..... 3

STATEMENT OF THE CASE..... 4

A. Identity Of The Parties..... 4

B. Terms Of The Severance Policy 5

1. The Meaning Of The Term "Discharge" In The Context Of The Times-O-Guide Policy And As Understood By Plaintiffs..... 6

2. After The Sale, Plaintiffs' Jobs Continue Without Interruption 8

C. Findings Of The District Court; The Term "Discharge" Is Not Satisfied By A Mere Ownership Change 8

D. The Eleventh Circuit's Reversal..... 9

REASONS FOR GRANTING THE WRIT 13

I. THERE IS A SIGNIFICANT, IRRECONCILABLE CIRCUIT SPLIT ON THIS ERISA EMPLOYEE BENEFITS ISSUE, WHICH THWARTS CONGRESSIONAL INTENT FOR A UNIFORM APPLICATION OF ERISA..... 14

TABLE OF CONTENTS – Continued

Page

A. The Eleventh Circuit's Position Is Contrary To The Second, Fourth, Sixth, Seventh, Eighth, and Tenth Circuits 15

II. THE CIRCUIT SPLIT IS CONTRARY TO THIS COURT'S DIRECTIVE THAT ERISA BE UNIFORMLY APPLIED 22

III. THE CIRCUIT COURT DECISION IS IN CONFLICT WITH THIS COURT'S HOLDING IN *FIRESTONE TIRE & RUBBER CO. v. BRUCH* .. 24

CONCLUSION 27

APPENDIX .....App. 1

TABLE OF AUTHORITIES

Page

CASES:

Abbey v. Resolution Trust Corp., 984 F.2d 1201 (D.C. Cir. 1993) 22

Accardi v. Control Data Corp., 836 F.2d 126 (2d Cir. 1987) 16

Adams v. Avondale Indus., Inc., 712 F. Supp. 1291 (S.D. Ohio 1989), *aff'd in relevant part*, 905 F.2d 943 (6th Cir.), *cert. denied*, 498 U.S. 984 (1990) 24

Adcock v. Firestone Tire & Rubber Co., 822 F.2d 623 (6th Cir. 1987) 16, 20

Alessi v. Raybestos-Manhattan, Inc., 451 U.S. 504, 101 S.Ct. 1895, 68 L.Ed.2d 402 (1981) 23

Allen v. Adage, 967 F.2d 695 (1st Cir. 1992) 15

Anderson v. Ciba-Geigy Corp., 759 F.2d 1518 (11th Cir.), *cert. denied*, 474 U.S. 995 (1985) 15

Awbrey v. Pennzoil Co., 961 F.2d 928 (10th Cir. 1992) 21

Bedinghaus v. Modern Graphic Arts, 15 F.3d 1027 (11th Cir. 1994) 2, 15

Bellino v. Schlumberger Tech., Inc., 944 F.2d 26 (1st Cir. 1991) 15

Blau v. Del Monte Corp., 748 F.2d 1348 (9th Cir. 1984), *cert. denied*, 474 U.S. 865 (1985) 15

Bradwell v. GAF Corp., 954 F.2d 798 (2d Cir. 1992) 16, 19, 21, 24

Brown v. Ampco-Pittsburg Corp., 876 F.2d 546 (6th Cir. 1989) 24

Firestone Tire & Rubber Co. v. Bruch, 489 U.S. 101, 109 S.Ct. 948, 103 L.Ed.2d 80 (1989) 13, 24, 25, 26

TABLE OF AUTHORITIES – Continued

Page

Fort Halifax Packing Co. v. Coyne, 482 U.S. 1, 107 S.Ct. 2211, 96 L.Ed.2d 1 (1987) 14, 23, 24

Fuller v. FMC Corp., 4 F.3d 255 (4th Cir. 1993), *cert. denied*, 114 S.Ct. 1062 (1994) 16, 17

Goggans v. Container Corp. of America, 714 F. Supp. 282 (S.D. Ohio 1989) 25

Harper v. R.H. Macy & Co., Inc., 920 F.2d 544 (8th Cir. 1990) 16, 18

Harris v. Pullman Standard, Inc., 809 F.2d 1495 (11th Cir. 1987) 15

Headrick v. Rockwell Int'l Corp., 24 F.3d 1272 (10th Cir. 1994) 15, 16, 20, 21

Holland v. Burlington Indus., Inc., 772 F.2d 1140 (4th Cir. 1985), *cert. denied*, 477 U.S. 903 (1986) 16

Ingersoll-Rand v. McClendon, 498 U.S. 133, 111 S.Ct. 478, 112 L.Ed.2d 474 (1990) 23, 24

Jung v. FMC Corp., 755 F.2d 708 (9th Cir. 1985) 15

Lakey v. Remington Arms Co., Inc., 874 F.2d 541 (8th Cir. 1989) 16, 18

Reichelt v. Emhart Corp., 921 F.2d 425 (2d Cir. 1990), *cert. denied*, 501 U.S. 1231 (1991) 19

Rowe v. Allied Chemical Hourly Employees Pension Plan, 915 F.2d 266 (6th Cir. 1990) 16, 20

Schroeder v. Phillips Petroleum Co., 17 F.3d 1147 (8th Cir. 1994) 16, 18

Schwartz v. Newsweek, Inc., 827 F.2d 879 (2d Cir. 1987) 16

TABLE OF AUTHORITIES – Continued

Page

Sejman v. Warner-Lambert Co., Inc., 889 F.2d 1346 (4th Cir. 1989), *cert. denied*, 498 U.S. 810 (1990) 16, 17, 21

Simas v. Quaker Fabric Corp. of Fall River, 6 F.3d 849 (9th Cir. 1993) 23

Sly v. P.R. Mallory & Co., 712 F.2d 1209 (7th Cir. 1983) 16, 20

Ulmer v. Harsco Corp., 884 F.2d 98 (3d Cir. 1989) 15

STATUTES:

28 U.S.C. § 1254 2

28 U.S.C. § 1291 2

29 U.S.C. § 1001 ii

29 U.S.C. § 1002 ..... 3, 7, 22

29 U.S.C. § 1104 ..... 3, 26

29 U.S.C. § 1132 ..... 4, 24

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On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Eleventh Circuit

PETITION FOR A WRIT OF CERTIORARI

Pursuant to Supreme Court Rules 10 through 14, MODERN GRAPHIC ARTS, INC., and TIMES PUBLISHING COMPANY ("MGA" and the "Times"; collectively "the Petitioners") respectfully petition that a writ of certiorari issue to review the decision and judgment of the United States Court of Appeals for the Eleventh Circuit in

Bedinghaus v. Modern Graphic Arts, 15 F.3d 1027 (11th Cir. 1994).

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Eleventh Circuit is reported officially as *Bedinghaus v. Modern Graphic Arts*, 15 F.3d 1027 (11th Cir. 1994), and is reprinted in the Appendix ("App. 1"). The Eleventh Circuit's unreported decision denying Petitioners' petition for rehearing, issued on April 28, 1994, is reprinted in the Appendix ("App. 17"). The opinion of the district court for the Middle District of Florida entering summary judgment for Petitioners on Plaintiffs' ERISA severance benefit claim, published at 782 F. Supp. 604 (M.D. Fla. 1992), is reprinted in the Appendix ("App. 19").

JURISDICTION

i. The court of appeals below had jurisdiction of this case under 28 U.S.C. § 1291 and entered its judgment on March 9, 1994.

ii. On April 28, 1994, the circuit court denied Petitioners' petition for rehearing.

iii. Non-applicable.

iv. This Court's jurisdiction to review the judgment in question is based on 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Employee Retirement Income Security Act, Section 3(1)(A), 29 U.S.C. § 1002(1)(A) provides:

> **Definitions**
>
> The terms "employee welfare benefit plan" and "welfare plan" mean any plan, fund, or program which was heretofore or is hereafter established or maintained by an employer or by an employee organization, or by both, to the extent that such plan, fund or program was established or is maintained for the purpose of providing for its participants or their beneficiaries, through the purchase of insurance or otherwise, (A) medical, surgical, or hospital care or benefits, or benefits in the event of sickness, accident, disability, death or unemployment, or vacation benefits, apprenticeship or other training programs, or day care centers, scholarship funds, or prepaid legal services . . .

Employee Retirement Income Security Act, Section 404(a)(1)(D), 29 U.S.C. § 1104(a)(1)(D), provides in pertinent part:

> **Fiduciary Duties**
>
> Subject to sections 1103(c) and (d), 1342, and 1344 of this title, a fiduciary shall discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries and . . . in accordance with the documents and instruments governing the plan insofar as such documents and instruments are consistent with the provisions of this subchapter and subchapter III of this chapter.

Employee Retirement Income Security Act, Section 502(a)(1), 29 U.S.C. § 1132(a)(1):

Civil Enforcement

A civil action may be brought –

(1) by a participant or beneficiary –

(A) for the relief provided for in subsection (c) of this section, or

(B) to recover benefits due to him under the terms of his plan, to enforce his rights under the terms of the plan, or to clarify his rights to future benefits under the terms of the plan.

STATEMENT OF THE CASE

A. Identity Of The Parties.

Modern Graphic Arts, Inc. ("MGA") is a printing business operating in the Tampa Bay area of Florida for many years. The Times Publishing Company (the "Times") is primarily engaged in the newspaper business and is publisher of the St. Petersburg Times. In 1977, the Times purchased 100% of the stock of MGA. In 1989, the Times sold all MGA assets to a new owner, MGA Holdings, Inc.

The Plaintiff class is comprised of individuals who worked at MGA before and after the 1989 sale. After the sale, the Plaintiffs continued to be employed without interruption in the same jobs, with the same duties, the same compensation, the same top management, and a

comparable benefit package.[2] Plaintiffs claim that as a result of the change in ownership and despite continued employment, they are entitled to severance benefits.

B. Terms Of The Severance Policy.

The terms of the severance policy are set forth in the Times' employee handbook, the "Times-O-Guide". That policy, under the heading "Termination", provides severance benefits only in the event the employee is "discharged as a full-time staffer".

The handbook uses the word "discharge" only in terms of loss of the job; dismissal from the work force.

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[2] The fact of record is that the overall level of benefits provided to Plaintiffs after the sale is virtually identical to that received by Plaintiffs before the sale; the value of Plaintiffs' total benefit package did not diminish as a result of the asset sale. The circuit court, in reversing summary judgment for Petitioners, stated that it was influenced by the fact that the successor ownership did not provide employees with the same severance benefits. (App. 9). The record fact is that a benefit package of *comparable value*, though not identical benefits, was provided.

Moreover, Petitioners believe that it was error for the circuit court to rule that Plaintiffs are entitled to severance benefits from the Times/MGA program, based on what might or might not have been available under successor programs. The Times/MGA plan does not, in any manner, hinge severance entitlement on whether the employee maintains the same benefits throughout his or her working life. The Times/MGA policy provides for benefits only in the event of a "discharge" from employment. The circuit court compounded this error by relying on this extrinsic evidence to interpret the plan, while terming plan language "unambiguous" and ignoring Petitioners' uncontroverted extrinsic evidence of past practice.

For instance, the employee is informed that a final paycheck, pay for unused vacation, relinquishment of office keys, and return of company uniforms all accompany a "discharge". *Id.* When MGA was sold, none of these indicia of "discharge" ever applied to any of these employees. Plaintiffs continued in the same job, at the same office, with the same customers and management, for the same rates of pay. The company ownership changed, but MGA jobs remained intact and unchanged. *Id.*

1. The Meaning Of The Term "Discharge" In The Context Of The Times-O-Guide Policy And As Understood By Plaintiffs.

The Times-O-Guide is written in a conversational style, using common parlance. The Times-O-Guide uses the term "discharge" to describe a dismissal from the workplace; loss of a job. Neither the Times-O-Guide nor the MGA Staffer Handbook[3] contain any promise of a continuing relationship within the Times organization. There is no statement that severance will be paid if MGA is not continued to be owned by the Times. There is no suggestion that severance benefits will be paid where jobs continue in the course of corporate restructure.[4]

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[3] MGA's "Staffer Handbook" served as a supplement to the Times-O-Guide. To the extent there is any conflict between language of the MGA Staffer Handbook and the Times-O-Guide, the Times-O-Guide prevails.

[4] In fact, as originally drafted, the Times policy contained a reference that job loss due to "change in company operations" would trigger severance benefit rights. In 1970, management

"Discharge" from employment is the prerequisite to severance entitlement.

Plaintiffs conceded in depositions that the term "discharge" describes the situation in which the employee is no longer on the job; no longer performing duties in the workplace. According to each of the Plaintiffs, the term "discharge" did not accurately describe their employment situation at MGA. The Eleventh Circuit failed to consider the Plaintiffs' own testimony as to their understanding of "discharge" in reaching the conclusion that Plaintiffs were "discharged as full-time staffer[s]".

During the half-century history of the Times' severance policy, the "discharge" prerequisite was satisfied, and the Times' severance benefits were triggered, only where a job was lost. Severance benefits were never intended and were not provided where the employee remained on the job.[5] The Eleventh Circuit never

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amended the policy and eliminated that clause. The purpose of the amendment was to make clear that actual job loss was the condition precedent to entitlement; a corporate restructure with no job loss would not trigger benefits. The Eleventh Circuit failed to consider this compelling statement of the parties' intent.

[5] The trial court correctly observed that, in common parlance, "discharge" in the context of the Times' severance plan described job loss; the trial court correctly noted that, in the ordinary course of human events, job loss creates at least a momentary period of unemployment, and the risk of longer term unemployment. This concept is in keeping with the definition of "employee welfare benefit plan" under ERISA Section 3(1)(A), 29 U.S.C. § 1002(1)(A), as well as the general definition and common usage of the term "discharge" in the context of severance. The Eleventh Circuit misconstrued this concept

addressed the undisputed evidence establishing this half-century of consistent interpretation and application of the severance policy.

2. After The Sale, Plaintiffs' Jobs Continue Without Interruption.

On May 13, 1989, the sale of MGA assets closed and MGA Holdings, Inc. became the new owner. With the exception of two MGA employees who lost their jobs and were paid severance benefits, the work force remained intact. Jobs and duties were entirely unchanged. Compensation was unchanged. Executive management was unchanged. The overall value of the employee benefit package was unchanged. Despite continued employment under new ownership, the Plaintiffs brought suit for severance benefits.

C. Findings Of The District Court; The Term "Discharge" Is Not Satisfied By A Mere Ownership Change.

On the parties' cross-motions for summary judgment, the district court found that "discharge" in the ERISA severance pay context means actual job loss; where jobs remain intact and unchanged, mere change in employer

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when it wrongly interpreted the district court's holding as imposing unemployment as a condition precedent to severance entitlement. In fact, during a two-month period after the sale, any MGA employee who was discharged from the job was eligible for severance. There was no requirement of any period of "unemployment"; the only question was discharge from the position held at MGA.

ownership does not suffice. App. 27-29. The MGA employees did not suffer "discharge" with the attendant unemployment (even if momentary) that such term connotes. *Id.* The district court held there was no ERISA right to severance because "discharge" as that term was used in the Times' policy had never occurred. Summary judgment was granted for the Petitioners. Plaintiffs' cross-motion claiming benefit entitlement as a matter of law, was denied.

Because the trial court viewed the plan terms to clearly and unambiguously require actual job loss, it did not address the Petitioners' uncontroverted evidence establishing management's intent, and its implementation of the severance policy over the fifty year history of the Times' plan.

D. The Eleventh Circuit's Reversal.

On appeal, the Eleventh Circuit reversed the ruling of the district court, and held that the Plaintiffs were entitled to severance pay when the Times sold MGA in 1989.

Despite continued MGA employment, with identical duties, pay and workplace, the Eleventh Circuit held that Plaintiffs were "discharged" in connection with the ownership change. In order to reach this result, the Eleventh Circuit made the finding (with no evidence presented by either party) that "staffer" is a term unique to the Times, and that the severance plan's reference to "discharge as a full-time staffer" constitutes a clear and unambiguous promise that severance will be paid if the employee's relationship *with the Times* came to an end. In fact, there was no evidence whatsoever that "staffer" is a term

unique to the Times, or that the term is anything more than a conversational synonym for "employee", a term commonly used in the newspaper, advertising and print industries.

In fact, the term "staffer" is defined and commonly understood as a synonym for employee.[6] The record contains no evidence to support the Eleventh Circuit's holding that, after the change in MGA ownership, the MGA staff was "discharged as full-time staffers". There is no evidence that the term "staffer" ceased to be used at MGA as of the date of the asset sale.

The circuit court's holding is premised on the view that the phrase "discharged as a full-time staffer" has a "natural meaning" which renders it unambiguous (despite the record fact that such "meaning" is directly contrary to the employer's uncontested proof of intent in creating and implementing the severance plan over a fifty year period). The court did not provide any source or authority for the "natural meaning" which it ascribed to the plan language. Petitioners believe the plain meaning of the terms "discharge" and/or "terminate" in the severance context, combined with Plaintiffs' admissions that they were never "discharged" from MGA, compel the conclusion that mere change in ownership does not constitute a "discharge" from the job as the term is used in the severance plan.[7]

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[6] For example, *Webster's Ninth New Collegiate Dictionary* (1987), defines "staffer" as "a member of a staff (as of a newspaper)".

[7] In fact, the parties stipulated that each party had a different interpretation of the phrase "discharged as a full-time

In the district court and on appeal, Petitioners argued, alternatively, that if there was any ambiguity in the meaning of "discharged as a full-time staffer" as applied to the instant change in ownership situation, the evidence of intent and past practice must be considered. Petitioners relied on undisputed proof spanning a half century of business practice establishing that Times management intended to provide, and in fact provided, severance benefits if and only if a job was actually lost. The record details past administration of the severance policy under circumstances essentially identical to the present facts.[8] In each such instances, where the jobs continued uninterrupted, employees and management shared the understanding that there was no "discharge" as the term is used in the Times' severance policy. Where ownership changed but the job continued uninterrupted, no severance benefit was due.

The Eleventh Circuit did not consider the uncontroverted evidence of the employer's intent and consistent practice in creating and providing the severance benefit only where a job is lost. Rather, the Court

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staffer" and that their interpretations of the policy language were "different and, on crucial points, diametrically opposed." App. 31, 35. This stipulation should have, at a minimum, rendered the phrase ambiguous. The Eleventh Circuit did not address this stipulation.

[8] Facts documenting the creation and implementation of severance benefits, in place at the Times since the 1940's, are set forth in the uncontroverted Affidavits of Clifton Camp, John Olson, Norman Dusseault, and others. These Affidavits, although a part of the record below, were never addressed by the Eleventh Circuit.

accepted the Plaintiffs' specialized definitions of "discharge" and "staffer" to require payment of severance benefit based on nothing more than an ownership change, and despite the fact that all jobs continued. The circuit court deferred to Plaintiffs' arguments, and concluded that the plan promised severance benefits in the event of any ownership change. The record fact is that no such promise is contained in any part of this plan; there is certainly no "clear" or "unambiguous" promise of any such benefit.

As a result of the instant decision, which confirms previous Eleventh Circuit precedent, employees subject to the Eleventh Circuit's jurisdiction enjoy ERISA severance benefit entitlements that have been flatly rejected in several other circuits throughout the United States. For employers and employees within the Eleventh, Third and Ninth Circuits, a change in corporate identity, structure or ownership is sufficient to trigger entitlement to severance benefits despite the fact that jobs continue essentially unchanged. Within these circuits, a "discharge" requirement is satisfied by nothing more than an ownership change. The Second, Fourth, Sixth, Seventh, Eighth, and Tenth Circuits have considered substantially identical issues and circumstances and have concluded that no severance benefit is due. In these jurisdictions, a severance plan requirement of "discharge" or "termination" is not satisfied by a mere corporate sale or restructure where the job remains intact and ongoing.

The result of this conflict is a patchwork of ERISA severance rights and remedies which are dependent solely upon the geographical location of the parties. Such conflict is directly contrary to Congress' and this Court's

objective of uniform ERISA standards and practices on a nationwide basis. The review of this Court is required to resolve this significant conflict in ERISA governed rights and obligations.

REASONS FOR GRANTING THE WRIT

The Eleventh Circuit misinterpreted plan language and ignored employer intent. The Eleventh Circuit created enforceable rights to severance benefits where no jobs were lost. The court inferred an ERISA promise to continued employment under the same corporate ownership despite the fact that no such promise was ever made. As a result of this interpretation, employees within the jurisdiction of the Eleventh Circuit enjoy entitlement to severance benefits when they remain in the same job during a change in the identity or structure of the employer. In other circuits, under essentially identical circumstances, the employees' claimed right to severance pay has been denied. This conflict within the circuits creates a significant variance in ERISA-governed benefit rights, solely dependent upon the circuit in which the claimed entitlement is decided.

The decision of the court of appeals below conflicts in principle with this Court's decision in *Firestone Tire & Rubber Co. v. Bruch*, 489 U.S. 101, 112, 109 S.Ct. 948, 103 L.Ed.2d 80 (1989), which recognizes that ERISA plan terms must be given their plain meaning and that, in the event of an ambiguity in plan terms, the intent of the employer and historical practices of benefit administration must be taken into account.

I. THERE IS A SIGNIFICANT, IRRECONCILABLE CIRCUIT SPLIT ON THIS ERISA EMPLOYEE BENEFITS ISSUE, WHICH THWARTS CONGRESSIONAL INTENT FOR A UNIFORM APPLICATION OF ERISA.

The Eleventh Circuit's holding underscores the split of authority among the circuits on the important question of whether a corporate sale without job loss constitutes a discharge from employment so as to trigger ERISA severance benefits. The differing decisions of the circuits cannot be reconciled without this Court's guidance.

The intent of ERISA, as stressed by this Court, was to provide a uniform scheme of employee benefit laws and eliminate the "patchwork" administration of benefits from state to state. *Fort Halifax Packing Co. v. Coyne*, 482 U.S. 1, 10, 107 S.Ct. 2211, 96 L.Ed.2d 1, 10 (1987). Where severance benefits are claimed upon a mere corporate sale, the expressed will of Congress and this Court is negated. A "patchwork" of severance benefits entitlement now exists on a circuit-by-circuit basis.

Under the current state of the law, severance benefit entitlement depends on the happenstance of the location of the business. The same severance benefit plan would be subject to one set of entitlement criteria in Atlanta or Philadelphia, and entirely different criteria in New York, Baltimore, Cleveland, Chicago, St. Louis, or Denver.

The Supreme Court's review is necessary to resolve the split of authority among the circuits, to promote the intent expressed by Congress and confirmed by this Court that ERISA provide uniform rights and remedies, consistently administered throughout the United States.

This is an important issue which is recurring throughout the country; the circuit split will not be resolved without this Court's intervention.

A. The Eleventh Circuit's Position Is Contrary To The Second, Fourth, Sixth, Seventh, Eighth, and Tenth Circuits.

In reversing the trial court's ruling and finding severance entitlement without job loss, the Eleventh Circuit relied on two prior Eleventh Circuit cases which reached the same result, *Anderson v. Ciba-Geigy Corp.*, 759 F.2d 1518 (11th Cir.), *cert. denied*, 474 U.S. 995 (1985), and *Harris v. Pullman Standard, Inc.*, 809 F.2d 1495 (11th Cir. 1987). *See Bedinghaus v. Modern Graphic Arts*, 15 F.3d 1027 (11th Cir. 1994) (App. 1).

In the Eleventh Circuit, a corporate sale with no job loss, and no job interruption, constitutes a "discharge" as a matter of law, fully sufficient to trigger severance benefit rights.[9] Here the record established, uncontrovertedly,

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[9] The Eleventh Circuit view is shared, at least to some degree, by the Third and Ninth Circuits. *Ulmer v. Harsco Corp.*, 884 F.2d 98 (3d Cir. 1989); *Jung v. FMC Corp.*, 755 F.2d 708 (9th Cir. 1985); *Blau v. Del Monte Corp.*, 748 F.2d 1348 (9th Cir. 1984), *cert. denied*, 474 U.S. 865 (1985). These circuits are in direct conflict with the Second, Fourth, Sixth, Seventh, Eighth and Tenth Circuits. To add to the conflict, the First Circuit is internally divided on the issue. *Compare Bellino v. Schlumberger Tech., Inc.*, 944 F.2d 26 (1st Cir. 1991) (entitlement) *with Allen v. Adage*, 967 F.2d 695, 701 (1st Cir. 1992) (no entitlement); *see Headrick v. Rockwell Int'l Corp.*, 24 F.3d 1272, 1277 (10th Cir. 1994) (White, Associate Justice (Ret.)) (vitality of *Bellino* in question after First Circuit decided *Allen*).

that the Times made continued employment of the MGA workforce a priority in selecting a buyer for its MGA assets. In the Eleventh Circuit, the employer's care in maintaining jobs, job duties, and compensation, results in employer liability for severance benefits. In the Eleventh Circuit, it is true that "no good deed goes unpunished". Congress surely never intended such an anomalous result.

The Eleventh Circuit's position that a corporate sale or change in ownership constitutes an actual "termination" or "discharge" for purposes of severance benefit entitlement, is directly contrary to established law in several other circuits. The Second,[10] Fourth,[11] Sixth,[12] Seventh,[13] Eighth,[14] and Tenth[15] Circuits have all held

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[10] *Bradwell v. GAF Corp.*, 954 F.2d 798 (2d Cir. 1992); *Schwartz v. Newsweek, Inc.*, 827 F.2d 879 (2d Cir. 1987); *Accardi v. Control Data Corp.*, 836 F.2d 126 (2d Cir. 1987).

[11] *Fuller v. FMC Corp.*, 4 F.3d 255 (4th Cir. 1993), *cert. denied*, 114 S.Ct. 1062 (1994); *Sejman v. Warner-Lambert Co., Inc.*, 889 F.2d 1346 (4th Cir. 1989), *cert. denied*, 498 U.S. 810 (1990); *Holland v. Burlington Indus., Inc.*, 772 F.2d 1140 (4th Cir. 1985), *cert. denied*, 477 U.S. 903 (1986).

[12] *Rowe v. Allied Chemical Hourly Employees Pension Plan*, 915 F.2d 266 (6th Cir. 1990); *Adcock v. Firestone Tire & Rubber Co.*, 822 F.2d 623 (6th Cir. 1987).

[13] *Sly v. P.R. Mallory & Co.*, 712 F.2d 1209 (7th Cir. 1983).

[14] *Schroeder v. Phillips Petroleum Co.*, 17 F.3d 1147 (8th Cir. Mar. 10, 1994); *Harper v. R.H. Macy & Co., Inc.*, 920 F.2d 544 (8th Cir. 1990); *Lakey v. Remington Arms Co., Inc.*, 874 F.2d 541 (8th Cir. 1989).

[15] *Headrick v. Rockwell Int'l Corp.*, 24 F.3d 1272 (10th Cir. 1994) (White, Associate Justice (Ret.)).

that actual job status, as opposed to employer identity, is the proper ERISA severance benefit entitlement test.

The Fourth Circuit, for example, has repeatedly held that actual employment status, as opposed to employer identity, is the proper entitlement test. *See Fuller v. FMC Corp.*, 4 F.3d 255 (4th Cir. 1993); *Sejman v. Warner-Lambert Co., Inc.*, 889 F.2d 1346 (4th Cir. 1989), *cert. denied*, 498 U.S. 810 (1990). In these cases, employers sold a plant (*Fuller*) and one of its divisions (*Sejman*); in both cases, jobs continued without interruption under new ownership. In both cases, the employees claimed that the sales technically constituted "job terminations" thereby triggering severance benefit rights. In both cases, the Fourth Circuit refused the employees' interpretation of the severance package plans. A mere change in employer ownership or structure with no actual loss of the job, would *not* trigger severance entitlement. Working employees had no right to collect a severance pay check. *Fuller*, 4 F.3d at 259; *Sejman*, 889 F.2d at 1349-50.

In refusing to construe an ownership change as actual discharge from the job, the Fourth Circuit cautioned:

> Courts should hesitate to impose upon companies unwritten contractual liabilities. Payment of severance benefits here would constitute a significant, unforeseen and costly liability . . . . Supplementing (plaintiffs') salary checks from PMP with severance payments from Warner-Lambert would seem even more of a windfall, . . . *it would award severance pay to persons who never changed their jobs and were never out of work.*

Sejman, 889 F.2d at 1350 (emphasis added).

The Fourth Circuit's common-sense approach is followed in other circuits. The Eighth Circuit in *Harper v. R.H. Macy & Co., Inc.*, 920 F.2d 544 (8th Cir. 1990) considered facts essentially identical to the instant claim. The *Harper* severance benefit claim arose out of Macy's sale of its St. Louis stores to another chain. Retail jobs under new ownership remained fully intact. The employees claimed that Macy's was obliged to pay them severance because, technically speaking, the sale resulted in "permanent termination" of their Macy's employment. The trial court entered summary judgment for the employer. On *de novo* review, the Eighth Circuit confirmed that termination in the ERISA severance pay context meant termination of *actual* employment; mere change in employer identity would not suffice:

> Without deferring to either party's interpretation . . . Macy's [sale of the stores] did not permanently terminate the employees within the meaning of the plan. The plan's language does not permit an interpretation that employees who continue to work without interruption on comparable terms for the purchaser of their employer's business have been "permanently terminated" by the sale.

Harper v. R.H. Macy & Co., Inc., 920 F.2d at 544 (8th Cir. 1990). *See also Schroeder v. Phillips Petroleum Co.*, 17 F.3d 1147 (8th Cir. 1994) (sale did not constitute a "layoff" or "reduction in force" of employees who kept jobs with successor); *Lakey v. Remington Arms Co., Inc.*, 874 F.2d 541 (8th Cir. 1989) (employer changes with continued employment is not a "termination").

The Second Circuit takes the same view of severance benefits; such benefits are not triggered where no job is lost:

> [I]n the context of the sale of a business where the buyer retains the former owner's employees, it would give a windfall to award severance pay to employees who never changed their jobs and were never out of work.

Bradwell v. GAF Corp., 954 F.2d 798, 801 (2d Cir. 1992); *See Reichelt v. Emhart Corp.*, 921 F.2d 425, 480 (2d Cir. 1990), *cert. denied*, 501 U.S. 1231 (1991).

Retired Associate Justice White, sitting by designation on the Tenth Circuit Court of Appeals, recently refused ERISA severance benefits to employees on such a transfer of corporate control:

> Allowing appellants severance pay in these circumstances would not only turn the plain meaning of the [plan's] provision on its head, but, as the District Court discussed, it would do the same to the primary intention behind the provision of severance pay. Several circuit courts, as with the District Court here, have noted that *severance pay is largely afforded to help former employees minimize the privations of temporary unemployment while they seek new work.* [citations omitted]. Reading the [plan's] provision as mandating payment when a transfer of control has taken place and the employee has retained his same position without interruption would in no way advance this interest; indeed, rather than softening the blow of a period of unemployment, it would only serve to provide appellants a happy period of double income.

Headrick v. Rockwell Int'l Corp., 24 F.3d 1272, 1276-77 (10th Cir. 1994) (White, Associate Justice (Ret.)) (emphasis added, citations omitted).

The Sixth and Seventh Circuits have also refused to "award [plaintiffs] a happy period of double income" in such circumstances, *Headrick*, 24 F.3d at 1277; where employment continues in a change of corporate control, no severance benefit is due. *Rowe v. Allied Chemical Hourly Employees Pension Plan*, 915 F.2d 266 (6th Cir. 1990); *Adcock v. Firestone Tire & Rubber Co.*, 822 F.2d 623 (6th Cir. 1987); *Sly v. P.R. Mallory & Co.*, 712 F.2d 1209 (7th Cir. 1983).

The Eleventh Circuit is entirely at odds with these sister circuits' interpretation of ERISA severance entitlement. The Eleventh Circuit, as well as the Third and Ninth Circuits, eschew the common-sense and plain meaning approach, inferring a legalistic construction of "termination" that other circuits have considered and rejected. The Eleventh Circuit, conspicuously contrary to the other above-cited circuits, has repeatedly held that "discharge" or "termination" conditions precedent to severance entitlement must be interpreted to mean "changes in corporate ownership" or "sale of assets". The Eleventh Circuit has created severance benefit rights, within its geographic jurisdiction, that are very different from ERISA benefit rights elsewhere in the country.

The Eleventh Circuit approves what other circuits have rejected as "windfall" severance benefits for employees whose jobs were never lost. In the instant case, the Eleventh Circuit sought to avoid the windfall nature of severance benefits paid along with regular paychecks. The court observed that if the successor corporation does

not provide the benefit and does not credit years of prior service, then the employee has "lost" a severance benefit "right". App. 9. This philosophy creates another layer of conflict with other circuits, and contradicts the plain meaning of severance benefits under ERISA. Severance benefits are not vested; they are contingent and unaccrued. "[E]mployees do not retain any continuing right to severance payments after their operation is sold by their former employer." *Bradwell v. GAF Corp.*, 954 F.2d at 801; *accord Sejman v. Warner-Lambert Co.*, 889 F.2d 1346, 1348-49 (4th Cir. 1989).

And, in sister circuits, continuing employment sufficient to defeat a severance benefit claim does not require *identical* benefits; the successor's total benefit package need not be the same. *Awbrey v. Pennzoil Co.*, 961 F.2d 928, 931 (10th Cir. 1992). *Awbrey* confirms the holding of *Sejman v. Warner-Lambert Co.*, 889 F.2d at 1350, that comparable benefits do not mean identical benefits; some difference in the benefit plans are expected. In the instant case, the Eleventh Circuit indicated that entitlement to severance benefits should depend upon whether the successor employer continues to provide severance benefits and credits past service in calculating same. This twist is another point in conflict with other circuits, including the Tenth and Fourth.

The Eleventh Circuit's position on severance entitlement runs contrary not only to sister circuit holdings, but contrary to the purpose of severance pay authorized by ERISA. *See Headrick*, 24 F.3d at 1276. Plaintiffs fully concede that they are claiming entitlement to severance pursuant to an "employee welfare benefit plan" governed by ERISA. In fact, ERISA expressly defines the severance

component of employee benefits only in terms of job loss – unemployment. ERISA defines "employee welfare benefit plan" in terms of benefits provided by the employer "in the event of sickness, accident, disability, death or *unemployment*". 29 U.S.C. § 1002(1)(A) (emphasis added). *See Abbey v. Resolution Trust Corp.*, 984 F.2d 1201, 1205 (D.C. Cir. 1993) (Ginsburg, J.) ("[ERISA] plans that pay benefits upon job termination cushion employees against the impact of unemployment . . . ").

ERISA authorizes no benefit for change in corporate ownership. There is no ERISA entitlement for participant dissatisfaction with changes in corporate structure. Rather, ERISA expressly provides and sister circuits have held that, absent some express promise to the contrary, severance benefits require a loss of the job. Where no job is lost, the ERISA meaning of "termination" and/or "discharge" are not satisfied. There is no entitlement to benefits.

The Second, Fourth, Sixth, Seventh, Eighth and Tenth Circuits have recognized this ERISA concept and refuse to award benefits where there has been a change in ownership but no change in job status. The Eleventh Circuit has considered and rejected this approach. This Court's review is necessary to resolve this substantial circuit split on this important ERISA entitlement issue.

II. THE CIRCUIT SPLIT IS CONTRARY TO THIS COURT'S DIRECTIVE THAT ERISA BE UNIFORMLY APPLIED.

In enacting ERISA, Congress' intent was to achieve uniformity in the administration of employee benefit

plans; the elimination of varying standards and remedies created by differing jurisdictions. *Fort Halifax Packing Co. v. Coyne*, 482 U.S. 1, 10, 107 S.Ct. 2211, 96 L.Ed.2d 1, 10 (1987), *citing Alessi v. Raybestos-Manhattan, Inc.*, 451 U.S. 504, 101 S.Ct. 1895, 68 L.Ed.2d 402 (1981). This Court has confirmed that ERISA benefit plans require administrative uniformity in interpretation. *Fort Halifax Packing Co. v. Coyne*, 482 U.S. at 10; *Ingersoll-Rand v. McClendon*, 498 U.S. 133, 142, 111 S.Ct. 478, 484, 112 L.Ed.2d 474 (1990).

The Ninth Circuit reiterated this goal in a recent opinion on preemption of state laws impacting severance benefits:

> ERISA allows each employer to create its own uniform plan, complying with only one set of rules (those of ERISA) and *capable of applying uniformly in all jurisdictions* where the employer might operate.

Simas v. Quaker Fabric Corp. of Fall River, 6 F.3d 849, 852 (9th Cir. 1993) (emphasis added), *citing Ingersoll-Rand Co. v. McClendon*, 498 U.S. at 142.

The congressional objective of administrative and remedial uniformity is thwarted by the circuit split concerning ERISA severance benefit entitlement. Entitlement to ERISA governed severance benefits, in the event of a mere change in employer ownership or structure, has become just the patchwork that Congress sought to avoid. At this time, based upon the above-demonstrated circuit split, entitlement depends on the federal circuit in which the parties reside. Under the same severance plan, Georgia and Florida employers now have ERISA severance obligations which do not exist in New York or Missouri,

or in numerous other states around the country. The negative ramifications of this ERISA entitlement conflict are self evident. The Act was intended to eliminate just this type of patchwork entitlement.

The instant decision has sharply focused this ERISA inconsistency, which is contrary to congressional intent and this Court's directive. *Fort Halifax*, 482 U.S. at 10; *Ingersoll-Rand*, 498 U.S. at 142. Review is required to resolve the issues of severance entitlement where jobs continue without interruption in the course of an ownership or structural change.

III. THE CIRCUIT COURT DECISION IS IN CONFLICT WITH THIS COURT'S HOLDING IN *FIRESTONE TIRE & RUBBER CO. v. BRUCH.*

Before and after the *Firestone Tire & Rubber Co. v. Bruch*, 489 U.S. 101, 109 S.Ct. 948, 103 L.Ed.2d 80 (1989) ("*Bruch*") *de novo* standard of review, contract and trust principles governed ERISA entitlement rights. 29 U.S.C. § 1132. Where plan terms are clear and unambiguous, they must be enforced as written. *Brown v. Ampco-Pittsburg Corp.*, 876 F.2d 546 (6th Cir. 1989). The arbitrary and capricious standard never permitted the plan administrator or the court to override plain and unambiguous contract rights. *Id.*

However, before and after the *de novo* standard of *Bruch*, in the event of any ambiguity in plan language, the settlor's intent, purpose, and past practice must guide the court. *See, e.g., Bradwell v. GAF Corp.*, 954 F.2d 798 (2d Cir. 1992); *Adams v. Avondale Indus., Inc.*, 712 F. Supp. 1291, 1296 (S.D. Ohio 1989), *aff'd in relevant part*, 905 F.2d 943

(6th Cir.), *cert. denied*, 498 U.S. 984 (1990); *Goggans v. Container Corp. of America*, 714 F. Supp. 282, 284-85 (S.D. Ohio 1989).

Petitioners submit that, in light of the parties' dispute concerning meaning of plan terms and the total absence of any clear, unequivocal promise that severance would be paid in the event of an ownership change, the Eleventh Circuit was required, at the very least, to acknowledge the existence of an ambiguity in plan language and to make the prescribed *Bruch* analysis.

Under the *Bruch* directive, where a plan term is susceptible to more than one reasonable meaning or interpretation, then the court is obliged to supply the proper construction by examining all relevant circumstances, with particular emphasis on the intent and practices of the employer that created and maintained the plan. *Firestone Tire & Rubber Co. v. Bruch*, 489 U.S. at 112.

> The terms of trust created by written instrument are "determined by the provisions of the instrument as interpreted in light of all the circumstances and such other evidence of the intention of the settlor with respect to the trust. . . . "

Id.

In this case, in a joint stipulation filed after oral argument and in response to questions by the circuit court panel, the parties concurred that, while they each believed their respective interpretations to be "plain" and "unambiguous", they strongly disagreed concerning the meaning of such language and acknowledged that their interpretations were "different and on crucial points,

diametrically opposed." App. 35. This ambiguity is further underscored by the sharp circuit split on this very issue.

In light of this stipulation, the ongoing debate concerning the meaning of plan language, and the absence of any plan explanation to unequivocally resolve the issue, the circuit court was obliged under *Bruch* to declare the provision ambiguous and to follow *Bruch's* directive and consider extrinsic evidence, with particular reference to settlor intent in creating and practice in implementing the plan. The Petitioners urged such approach, however the circuit court refused such approach in favor of its conclusion that the phrase "discharged as a full-time staffer" conveys the clear and unequivocal commitment to provide a severance benefit in the event of an MGA ownership change, regardless of the fact that employment continues uninterrupted and unchanged. In fact, given the plan language at issue and the Times' fifty year interpretation of the plan to require job loss, the Times' plan administrator could well have been charged with violation of fiduciary duty if it had discarded this consistency and found severance entitlement where no job was lost. *See* 29 U.S.C. § 1104(a)(1)(D) ("a fiduciary shall discharge his duties with respect to a plan . . . in accordance with the documents and instruments"). Certainly, this record contains no clear and unambiguous promise of severance under the circumstance of this case. This Court's review is mandated to address the conflict in the Eleventh Circuit's failure to adhere to this Court's *Bruch* directive.

CONCLUSION

For all the reasons stated above, Petitioners respectfully urge the Court to issue the writ and resolve the demonstrated conflict.

Respectfully submitted,

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v.

MODERN GRAPHIC ARTS, and Times Publishing Company, d/b/a St. Petersburg Times, Defendants-Appellees.

No. 92-2210.

United States Court of Appeals,
Eleventh Circuit.

March 9, 1994.

Following employer's sale of company, employees whose employment was maintained brought action against employer and alleged administrator of an employee benefit plan under ERISA, alleging entitlement to severance pay. The United States District Court for the Middle District of Florida, No. 89-1668-CIV-T-17(C), Elizabeth A. Kovachevich, J., 782 F.Supp. 604, granted defendants' motion for summary judgment and appeal was taken. The Court of Appeals, Clark, Senior Circuit Judge, held that employees whose employment had been terminated due to employer's sale of assets were entitled to severance pay benefits, even though they were all immediately reemployed by buyer of assets.

Reversed and remanded.

Appeal from the United States District Court for the Middle District of Florida.

Before DUBINA, Circuit Judge, CLARK and ESCHBACH*, Senior Circuit Judges.

CLARK, Senior Circuit Judge:

This is a class action brought by a group of employees to recover benefits due them under the terms of a plan governed by the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001, *et seq.* Plaintiffs contend that they were entitled to severance pay benefits when the company for which they worked was sold. The district court granted defendants' motion for summary judgment, holding that plaintiffs were not entitled to severance pay benefits under the terms of their former employer's severance pay policy because plaintiffs were employed by the new owner of the company 782 F.Supp. 604. We find that the district court misconstrued the terms of the severance pay policy. Accordingly, we reverse.

FACTS

Each member of the plaintiff class is a former employee of Modern Graphic Arts, Inc. ("MGA"), a printing business located in Tampa, Florida. MGA was a wholly-owned subsidiary of Times Publishing Company (the "Times"). MGA's employee benefits plans were set out in MGA's *Staffer Handbook* and Times Publishing Company's *Times-O-Guide*. The *Staffer Handbook* begins with the statement:

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* Honorable Jesse E. Eschbach, Senior U.S. Circuit Judge for the Seventh Circuit, sitting by designation.

> This handbook has been prepared so that you may be better informed about the policies, procedures, benefits and other issues concerning your employment here. It is intended only to be a supplement to the *Times-O-Guide* you received at check-in at the Times Personnel Office. If a different interpretation or conflict exists between the Times-O-Guide and this handbook, the Times-O-Guide will prevail unless specifically identified to the contrary.[1]

MGA's and the Times' severance pay policy is set out in the *Times-O-Guide* in a section entitled "Termination." This section provides:

> Our hope is that every staffer who joins the company will stay until retirement. However, we realize this is unrealistic and there will be turnover. Such separations, whether through resignation or discharge are simpler when certain ground rules are stated and understood.
>
> 1. When you resign, you should give notice. Two weeks is customary.
>
> 2. If, after the first six months, you are discharged as a full-time staffer for reasons other than cause (see examples below), the company will pay you 1 week's pay-in-lieu of notice for each 6 months of service. This amounts to 2 weeks' pay for 1 year of service, 10 weeks' pay for 5 years of service, etc. No pay-in-lieu of notice is paid for less than six months' service, nor for fractional parts of six-month periods.[2]

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[1] *Modern Graphic Arts, Inc. Staffer Handbook* at 1.

[2] *Times-O-Guide* at 30. MGA's *Staffer Handbook* also sets out

The section goes on to give examples of discharge "for cause." These include a violation of confidence, dishonesty, intoxication on the job, conviction of a crime, unreported absence, destruction of company property, willful neglect of duty, insubordination, and offensive conduct.

In 1989, the Times sold substantially all of the assets of MGA to a new owner. The new owner retained the former employees of MGA in their same jobs at the same salary levels. The new owner did not, however, give the former MGA employees credit for their years of service at MGA for purposes of accruing and calculating severance pay benefits. Thus, plaintiffs, especially those who had been with MGA for many years, lost substantial severance pay benefits. Plaintiffs did not have the option of remaining in the employ or [sic] either MGA or the Times.

After both MGA and the Times denied plaintiffs' request for severance pay benefits, plaintiffs filed this action pursuant to 29 U.S.C. § 1132(a)(1)(B) to recover the benefits allegedly due them. Plaintiffs' amended complaint states two counts: Count I seeks recovery of the severance pay benefits from MGA, and count II seeks recovery of the same benefits from the Times. Plaintiffs eventually filed a motion for partial summary judgment as to liability, requesting that the district court "grant

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the severance pay policy, but in a less detailed manner. It provides: "if terminated without cause a staffer is entitled to one week's pay for each complete six month period of employment upon termination. Termination with cause is defined in the Times-O-Guide." *Modern Graphic Arts, Inc. Staffer Handbook* at 12.

summary judgment as to liability against Modern Graphic Arts, Inc. and Times Publishing Company, jointly and severally."[3] Defendants opposed this motion and filed their own motion for summary judgment on all claims, arguing that plaintiffs were not "discharged" within the meaning of MGA's and the Times' severance pay policy because they were employed by the new owner. The Times also filed an alternative motion for summary judgment on count II, arguing that even if plaintiffs were "discharged" within the meaning of the severance pay policy, they were employees of MGA, not of the Times, and, therefore, were not entitled to recover benefits from the Times.

The district court held that plaintiffs were not entitled to benefits under the terms of the severance pay policy because they were never unemployed. Accordingly, the district court denied plaintiffs' motion for partial summary judgment as to liability and granted defendants' motion for summary judgment on all claims. The district court did not reach the issues raised in the Times' alternative motion for summary judgment on count II. Plaintiffs appealed.

DISCUSSION

Prior to the Supreme Court's decision in *Firestone Tire and Rubber Co. v. Bruch*,[4] federal courts reviewed an employer's interpretation of a benefit plan governed by

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[3] R2-55-3.

[4] 489 U.S. 101, 109 S.Ct. 948, 103 L.Ed.2d 80 (1989).

ERISA under an arbitrary and capricious standard.[5] In *Bruch*, however, the Supreme Court rejected the general application of the arbitrary and capricious standard. Noting that "ERISA abounds in the language and terminology of trust law,"[6] the Court held:

> Consistent with established principles of trust law, we hold that a denial of benefits challenged under § 1132(a)(1)(B) is to be reviewed under a *de novo* standard unless the benefit plan gives the administrator or fiduciary discretionary authority to determine eligibility for benefits or to construe the terms of the plan.[7]

In this case, defendants do not contend that their benefit plan gives an administrator or fiduciary the discretionary authority described in *Bruch*. Accordingly, we review *de novo* defendants' interpretation of their severance pay policy. In interpreting the terms of this severance pay policy, we look to the intent of the parties; however, "where a disputed term is unambiguous, we presume its natural meaning to be conclusive evidence of such intent."[8]

The severance pay policy at issue here provides that an employee who is "discharged *as a full-time staffer* for

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[5] *See, e.g., Anderson v. Ciba-Geigy Corp.*, 759 F.2d 1518, 1521 (11th Cir.), *cert. denied*, 474 U.S. 995, 106 S.Ct. 410, 88 L.Ed.2d 360 (1985).

[6] *Bruch*, 489 U.S. at 110, 109 S.Ct. at 954.

[7] *Id.* at 115, 109 S.Ct. at 956-57.

[8] *Bellino v. Schlumberger Technologies, Inc.*, 944 F.2d 26, 30 and n. 5 (1st Cir. 1991) (citing, among other things, *Bruch*, 489 U.S. at 112, 109 S.Ct. at 954, and Restatement (Second) of Trusts § 164 Comment e (1959)).

reasons other than cause"[9] will receive severance pay. The interpretation of this provision turns on the construction of the term "staffer." This term is used repeatedly throughout both the *Times-O-Guide* and MGA's *Staffer Handbook*. Although "staffer" is not defined in either of these publications, its meaning is clear. As used in the *Times-O-Guide*, "staffers" means employees of the Times and its affiliates, including wholly-owned subsidiaries such as MGA.[10] As used in MGA's *Staffer Handbook*, the term means employees of MGA.[11] Thus, "discharged as a full-time staffer" means discharged as a full-time employee of the Times or one of its affiliates, in this case, MGA.

Other language in the "Termination" section of the *Times-O-Guide* is consistent with this interpretation. This section begins with the statement: "Our hope is that every staffer who joins the company will stay until retirement."[12] Shortly after this statement is the severance pay provision, which is a means to protect employees who, through no fault of their own, cannot remain with "the company" until retirement. Clearly, "the company" refers

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[9] *Times-O-Guide* at 30 (emphasis added).

[10] *See, e.g., Times-O-Guide* at 24 ("Under certain conditions, we grant employment credit to staffers who have been previously employed by the Times Publishing Company and its affiliates. . . . ").

[11] *See e.g., Modern Graphic Arts, Inc. Staffer Handbook* at 1 ("For our new staffers, this booklet will introduce our organization to you and give you information about our various benefits and policies which apply to you as a staffer of Modern Graphic Arts, Inc.").

[12] *Times-O-Guide* at 30.

to the Times and its affiliates, *not* to some entity that happens to purchase the assets of one of the affiliates. We see no ambiguity in the crucial terms. Applying the plain and natural meaning of the provisions discussed above, plaintiffs were entitled to severance pay when their employment with MGA was terminated, regardless of whether they were employed by the entity that purchased MGA's assets.

Our conclusion does not result in a windfall to plaintiffs. When plaintiffs' employment with MGA ceased, plaintiffs lost substantial severance pay benefits because, at least for purposes of severance pay, they lost credit for their years of service with MGA. We find instructive language from the Second Circuit's opinion in *Bradwell v. GAF Corp.*[13] In that case, former employees of GAF sought severance pay after GAF sold to BASF the facility at which the employees worked. The Second Circuit concluded that the employees were not entitled to severance pay because they did not lose any severance pay benefits when their employer changed. Noting that one of the objectives of severance pay policies is to reward employees for past service to the company, the Second Circuit reasoned:

> Because BASF absorbed the Severance Pay Policy, and under it severance allowances upon layoff were to be based on continuous service including service to GAF, we do not perceive that employees' service to the company was in

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[13] 954 F.2d 798 (2d Cir. 1992).

> any way disregarded by GAF's denial of severance pay here.[14]

Here, we are faced with a situation in which plaintiffs' entitlement to severance pay was denied by MGA/Times and the new owner will not credit plaintiffs' past service to MGA/Times for severance pay purposes. We express no opinion as to the outcome of this case as between the defendants. We merely note that plaintiffs' loss of severance pay benefits is a factor we considered in reaching our conclusion that plaintiffs are entitled to benefits under either the Times' or MGA's severance pay policy.

Our conclusion is consistent with recent case law from other circuits. For example, in *Bellino v. Schlumberger Technologies, Inc.*, plaintiffs ceased to be employees of Schlumberger and became employees of National Semiconductor Corporation when National Semiconductor took over maintenance work that had been performed by Schlumberger. Under Schlumberger's benefits plan, Schlumberger provided salary continuation when it "terminate[d] an employee for lack of work, poor business conditions, or change in business focus."[15] The First Circuit held that plaintiffs were entitled to severance pay benefits, notwithstanding that they were never unemployed. The Court explained:

> We agree with the finding of the district court that the above Plan language is clear and unambiguous as applied to the facts of this case and that it entitles appellees to severance benefits. As an initial matter, there can be no dispute

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[14] *Id.* at 801.

[15] 944 F.2d at 30.

> that appellees were "terminated" within the plain meaning of the Plan. As it appears in the Plan, "termination" is defined broadly and encompasses those situations in which Schlumberger ceases to employ an individual. It is uncontested that Schlumberger ended its employment relationships with [plaintiffs]. . . .
>
> Additionally, there is no genuine dispute that [plaintiffs'] terminations were involuntary. Schlumberger did not give [plaintiffs] the option to remain as employees; they were to choose either resignation or employment with NSC.[16]

Similarly, here, the term "discharged" as used in the *Times-O-Guide* encompasses those situations when an employee ceases to be a "staffer," that is, an employee of the Times or one of its affiliates. Plaintiffs in this case were not given the option to remain with the Times or MGA; they had to choose either resignation or employment with the new owner. Like the plaintiffs in *Bellino*, plaintiffs in this case are entitled to severance benefits.

This case is also similar to *Ulmer v. Harsco Corp.*,[17] in which former employees of Harsco Corporation sought severance pay following the sale of the division for which they worked. The district court had held that the employees were not entitled to severance pay because they were employed by the new owner. The Third Circuit reversed, stating:

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[16] *Id.*

[17] 884 F.2d 98 (3d Cir. 1989).

> "[C]ontinuing employment" is properly construed to mean employment with *Harsco's* Casting Division, not with an acquiror of the Casting Division's assets/operations. The Plan states that "[t]o further our concept of career employment, the Company will take all reasonable steps to provide continuing employment . . . ". If the district court's interpretation were correct, then it would follow that Harsco's Casting Division's concept of "career employment" as outlined in the Plan would be satisfied by employees working for a different employer/owner, albeit at the same plant. We do not think that such a construction comports with the plain meaning of the Plan.[18]

Similarly, here, the Times' career employment concept is reflected in the *Times-O-Guide:* "Our hope is that every staffer who joins the company will stay until retirement."[19] To encourage employees to remain with the company, it committed itself as follows: "If, after the first six months, you are discharged as a full-time staffer for reasons other than cause . . . , the company will pay you 1 week's pay-in-lieu of notice for each 6 months of service."[20]

This Circuit has not yet applied the *de novo* standard articulated in *Bruch* in construing a severance pay policy following sale of the company.[21] There are, however, two

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[18] *Id.* at 102.

[19] *Times-O-Guide* at 30.

[20] *Id.*

[21] Although *Blank v. Bethlehem Steel Corp.*, 926 F.2d 1090 (11th Cir.), *cert. denied*, ___ U.S. ___, 112 S.Ct. 372, 116 L.Ed.2d

pre-*Bruch* cases that are instructive. First, in *Harris v. Pullman Standard, Inc.*[22] Pullman, the employer, sold one of its operations to Trinity Industries, Inc. The plaintiffs were employed by Trinity, performing the same jobs that they had done for Pullman, but at a slightly reduced salary and with a benefit package that was not as favorable as that of Pullman. The district court held that Pullman's decision to deny the plaintiffs severance pay was arbitrary and capricious. This court affirmed, stating:

> The policy terms indicate that an employee will be eligible for a termination allowance if the employee's job is eliminated, and a new assignment cannot be found for him within the company. In the context of the policy, the term "company" refers only to Pullman, not successive corporations. Pullman eliminated plaintiffs' jobs by the sale of the manufacturing plant to Trinity. Subsequently, Pullman failed to offer plaintiffs new opportunities within its company, so the plaintiffs became eligible for severance pay. The policy does not provide any exceptions to this eligibility if the corporate ownership changes and Pullman's employees obtain jobs with the new corporation. We are guided by the language of the policy, and any interpretation that contradicts the clear wording of the policy has to be arbitrary and capricious.[23]

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324 (1991), was decided after *Bruch*, the court in *Blank* applied an arbitrary and capricious standard based on the terms of the plan at issue.

[22] 809 F.2d 1495 (11th Cir. 1987).

[23] *Id.* at 1498.

The severance pay policy at issue here is similar to Pullman's plan in that the term "company" refers only to the Times and its affiliates, not successive corporations, and in that there are no exceptions to severance pay eligibility based on retention of employment with a successive corporation. While the policy at issue here differs from the Pullman plan in other ways, these similarities support our decision in this case.

Second, in *Anderson v. Ciba-Geigy Corp.*, the purchasing corporation retained the plaintiffs at their same salaries and job positions, but the plaintiffs lost seniority rights and vacation benefits. The former employer set forth two arguments in support of its decision to deny the plaintiffs' request for severance pay. First, the former employer argued that plaintiffs were never "terminated" because they remained employed. Second, the former employer argued that the corporate sale was a "special situation" under a unique provision of its benefits plan. While this court found for the former employer based on the second argument, it stated that the first argument "is probably legally wrong."[24] The court explained: "While it is true that plaintiffs never suffered a termination of actual employment – they were, after all, never unemployed – Ciba-Geigy's Employee Benefit Plan does not define 'termination' in that manner."[25] Likewise, the severance pay policy at issue here does not define "discharge" or "termination" to require unemployment.

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[24] 759 F.2d at 1521.

[25] *Id.*

Defendants rely on this court's decision in *Blank v. Bethlehem Steel Corp. Blank* is distinguishable from this case in several respects. First, *Blank* involved the interpretation of a retirement benefit very different from the severance pay benefit at issue in this case. Second, unlike this case, the employees in *Blank* were given credit for their work both with the former employer and with the purchaser for purposes of the benefit at issue. Finally, the court in *Blank* reviewed the employer's decision to deny benefits under an arbitrary and capricious, rather than *de novo,* standard. As the Sixth Circuit has said: "Courts should proceed carefully before applying rules developed specifically to ferret out arbitrary and capricious action when interpreting the terms of a plan *de novo.*"[26] We do not find *Blank* helpful in deciding this case.

Defendants also rely on cases from other circuits in which the courts have ruled against employees seeking severance pay following the sale of the company for which they work. Many of these cases predate *Bruch;* thus, the courts applied an arbitrary and capricious, rather than a *de novo,* standard of review to the employer's decision to deny benefits.[27] Moreover, each of

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[26] *Adams v. Avondale Industries, Inc.*, 905 F.2d 943, 950 (6th Cir.), *cert. denied*, 498 U.S. 984, 111 S.Ct. 517, 112 L.Ed.2d 529 (1990).

[27] For example, the courts in *Holland v. Burlington Industries, Inc.*, 772 F.2d 1140 (4th Cir. 1985), *aff'd*, 477 U.S. 901, 106 S.Ct. 3267, 91 L.Ed.2d 559 (1986), *Jung v. FMC Corp.*, 755 F.2d 708 (9th Cir. 1985), and *Sly v. P.R. Mallory & Co., Inc.*, 712 F.2d 1209 (7th Cir. 1983), applied an arbitrary and capricious standard of review. Although *Lakey v. Remington Arms Co., Inc.*, 874 F.2d 541 (8th Cir. 1989), was decided after *Bruch*, the court applied an

these cases, as well as the cases upon which defendants rely that apply a *de novo* standard of review, are distinguishable from this case. As the First Circuit said in *Bellino:*

> Federal courts have established no hard and fast rule that an individual must suffer a period of unemployment to qualify for severance benefits under ERISA. Those courts that have deemed unemployment a prerequisite to such benefits have predicated their decisions on the particular terms of the ERISA plan at issue and its application to the specific facts before them.[28]

Each of the cases upon which defendants rely involve ERISA plans with terms distinct from the terms of the policy at issue in this case.[29] Under the particular terms of the Times' and MGA's severance benefits policy, as applied to the specific facts before us, we find that plaintiffs are entitled to severance pay.

We express no opinion as to the Times' alternative motion for summary judgment on count II, that is, the Times' argument that plaintiffs were employees of MGA,

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arbitrary and capricious standard based on the language of the plan at issue.

[28] *Bellino,* 944 F.2d at 31.

[29] *See Allen v. Adage, Inc.,* 967 F.2d 695 (1st Cir. 1992) (plaintiffs not entitled to severance pay because parties intended that phrase "reduction in force" have an economic dimension requiring unemployment; *Awbrey v. Pennzoil Co.,* 961 F.2d 928 (10th Cir. 1992) (plaintiffs not entitled to severance pay because they were "offered a comparable job" within the meaning of the plan); *Harper v. R.H. Macy & Co., Inc.,* 920 F.2d 544 (8th Cir. 1990) (plaintiffs not entitled to severance pay because they were not "permanently terminated" within the meaning of the plan)

not of the Times, and, therefore, are not entitled to recover benefits from the Times. We leave this for the district court to decide in the first instance on remand.

CONCLUSION

For reasons discussed above, the decision of the district court is REVERSED and the case is REMANDED for further proceedings consistent with this opinion.

IN THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

No. 92-2210

D.C. Docket No. 89-1668-CIV-T-17(C)

WILLIAM C. BEDINGHAUS, ROBERT D. BACON and BARBARA J. ORR, Individually and on behalf of all others similarly situated,

Plaintiffs-Appellants,

versus

MODERN GRAPHIC ARTS, and TIMES PUBLISHING COMPANY, d/b/a St. Petersburg Times,

Defendants-Appellees.

Appeal from the United States District Court for the Middle District of Florida

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ON PETITIONS FOR PANEL REHEARING
FILED BY APPELLANTS AND APPELLEES

(Filed Apr. 28, 1994)

Before DUBINA, Circuit Judge, CLARK and ESCHBACH* Senior Circuit Judges.

PER CURIAM:

Appellants' petition for rehearing, which requests that the Court modify its opinion of March 9, 1994, is

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*Honorable Jesse E. Eschbach, Senior U.S. Circuit Judge for the Seventh Circuit, sitting by designation.

GRANTED. The court orders that its opinion, found at 15 F.3d 1027, be modified as follows:

(1) By *adding* a footnote on page 1028 following the sentence "In 1989, the Times sold substantially all of the assets of MGA to a new owner." Fn The footnote will read: "The new owner was MGA Holdings, Inc., who is not a party to these proceedings."

(2) On page 1030, *delete* the following sentence appearing at the bottom of the left-hand column: "We express no opinion as to the outcome of this case as between the defendants."

(3) On page 1033, *delete* the first full paragraph, which reads:

> We express no opinion as to the Times' alternative motion for summary judgment on count II, that is, the Times' argument that plaintiffs were employees of MGA, not of the Times, and, therefore, are not entitled to recover benefits from the Times. We leave this for the district court to decide in the first instance on remand.

In all other respects, the opinion remains unchanged.

The petition for rehearing filed by appellees is DENIED.

United States District Court
MIDDLE DISTRICT OF FLORIDA

WILLIAM C. BEDINGHAUS, ROBERT D. BACON, and BARBARA J. ORR, individually and on behalf of all other similarly situated,

Plaintiffs,

V.

MODERN GRAPHIC ARTS, INC., and TIMES PUBLISHING COMPANY d/b/a ST. PETERSBURG TIMES,

Defendants.

JUDGMENT IN A CIVIL CASE

CASE NUMBER: 89-1668-Civ-T-17(C)

(Filed Feb. 5, 1992)

[ ] **Jury Verdict.** This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

[XX] **Decision by Court.** This action came to trial or hearing before the Court. ~~The issues have been tried or heard~~ and a decision has been rendered.

IT IS ORDERED AND ADJUDGED that Defendants' joint motion for summary judgment on all pending claims is granted, and Plaintiffs' motion for partial summary judgment as to liability is denied. Final Judgment of dismissal is entered in favor of Defendants.

February 5, 1992
Date

DAVID L. EDWARDS
Clerk

/s/ Rebecca J. Hockett
(By) Deputy Clerk

UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

WILLIAM C. BEDINGHAUS, ROBERT D. BACON, and BARBARA J. ORR, individually and on behalf of all other similarly situated, Plaintiffs, vs. MODERN GRAPHIC ARTS, INC., and TIMES PUBLISHING COMPANY d/b/a/ ST. PETERSBURG TIMES, Defendants,	CASE NO. 89-1668-CIV-T-17C

ORDER ON MOTION FOR SUMMARY JUDGMENT

(Filed Feb. 5, 1992)

This cause is before the Court on the following motions and responses:

1. Plaintiffs' motion for partial summary judgment as to liability, filed on August 26, 1991.

2. Plaintiffs' memorandum of law in support of motion for partial summary judgment as to liability, filed on August 26, 1991.

3. Defendants' joint motion for summary judgment on all pending claims, filed on August 27, 1991.

4. Defendants' memorandum of law in support of their joint motion for summary judgment, filed on August 27, 1991.

5. Defendant Times' alternative motion for summary judgment on Count II, filed on September 4, 1991.

6. Defendant Times' memorandum in support of alternative motion for summary judgment on Count II, filed on September 4, 1991.

7. Defendants' memorandum in opposition to Plaintiffs' motion for partial summary judgment, filed on October 16, 1991.

8. Plaintiffs' memorandum in response to Defendants' joint motion for summary judgment, filed on October 16, 1991.

9. Plaintiffs' memorandum in response to Defendant Times' alternative motion for summary judgment on Count I, filed on October 16, 1991.

This circuit clearly holds that summary judgment should only be entered when the nonmoving party has sustained its burden of showing the absence of a genuine issue as to any material fact when all the evidence is viewed in the light most favorable to the nonmoving party. *Sweat v. The Miller Brewing Co.*, 708 F.2d 655 (11th Cir. 1983). All doubt as to the existence of a genuine issue of material fact must be resolved against the moving party. *Hayden v. First National Bank of Mt. Pleasant*, 595 F.2d 994, 996-97 (5th Cir. 1969). Factual disputes preclude summary judgment.

The Supreme Court of the United States held, in *Celotex Corp. v. Catrett*, 477 U.S. 317, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986),

> In our view the plain language of Rule 56(c) mandates the entry of summary judgment, after adequate time for discovery And upon motion, against a party who fails to establish the party's case, and on which that party will bear the burden of proof at trial. *Id.* at 273.

The Court also said, "Rule 56(e) therefore requires the nonmoving party to go beyond the pleadings and by her own affidavits, or by the 'depositions, answers to interrogatories, and admissions on file, designate 'specific facts showing there is a genuine issue for trial' " *Celotex Corp.*, at p. 274.

This Court finds that there is an absence of a genuine issue as to any material fact present in this case. Therefore, this case will be decided as a matter of law.

FACTS:

Plaintiffs class is made up of persons who were employees of Modern Graphic Arts, Inc. In or about April of 1989, Modern Graphic Arts, Inc. sold substantially all of its assets and goodwill to MGA Holdings, Inc. ("the sale"). Prior to the sale, the majority of the voting stock of Modern Graphic Arts, Inc. was owned and controlled by the Times Publishing Co. (doing business as the St. Petersburg Times). Most of the class members now work for MGA Holdings, Inc.

At the time of and prior to the sale, Modern Graphic Arts, Inc. maintained an employee policy manual entitled

Staffer Handbook which outlined the policies, procedures, and benefits applicable to its employees. The Staffer Handbook stated in its Introduction that it was intended only to be a supplement to the Times-O-Guide (Times Publishing Co. benefit manual) which each employee received at their check-in at the Times Personnel Office. Each new hire to Modern Graphic Arts, Inc. reported to the St. Petersburg Times for check-in prior to reporting to Modern Graphic Arts, Inc. The Staffer Handbook included a benefit entitled "IN-LIEU PAY". The "IN-LIEU PAY" benefit provided for the payment of severance pay upon termination without cause as defined in the Times-O-Guide. Plaintiffs claim that the "IN-LIEU PAY" is an unfunded employee benefit plan under ERISA.

Prior to the sale, a representative of the class inquired of the President of Modern Graphic Arts, Inc. whether the class members would be paid "IN-LIEU PAY" upon the sale of Modern Graphic Arts, Inc. The president, Mr. O'Hearn, responded that the employees (class members) would not receive "IN-LIEU PAY" as they would not be unemployed upon the sale of Modern Graphic Arts, Inc. Each employee was to be maintained by MGA Holdings.

The employees took the position that they were no longer employe d [sic] by Modern Graphic Arts, Inc. and were thus terminated by Modern Graphic Arts, Inc. upon its sale. They contend that this severance was for no cause of their own and they are therefore entitled to "IN-LIEU PAY" under their benefits plan. Defendants claim that Plaintiffs accepted employment with the purchaser of Modern Graphic Arts, Inc. and as a result of continued, uninterrupted employment, Plaintiffs were never "terminated", "separated" or "discharged" as those terms are

used in relevant provisions of the Staffer Handbook and/or provisions of the Times-O-Guide incorporated therein. They also take the position that the Defendants interpretation and application of eligibility and severance benefit provisions is fully consistent with the purpose, history, terms and intent of the subject severance benefit plans.

Defendants alternatively claim that the Plaintiffs are barred from recovery because they were not participants in the severance plan sponsored by the Times and covering Times Employees. Defendants claim that Plaintiffs were not employees of the Times Publishing Co. for purposes of payment of benefits.

ISSUES:

The ultimate issues which Plaintiffs seek to have the Court determine are whether upon the sale of Modern Graphic Arts, Inc., the employees of Modern Graphics were terminated and entitled to termination benefits; when their employment is maintained by the purchasing company, and if so entitled, if they were employees of the Times for purposes of benefit payments.

A. EMPLOYER

Plaintiffs argue that in addition to Modern Graphic Arts, Inc. as their employer, Times Publishing Company was also an employer of each class member, in that it was "acting directly as an employer, in relation to an employee benefit plan. ." 29 USCS §1002(5). As such, it

was the "plan sponsor" and "administrator" of the "TERMINATION" plan contained in the Times-O-Guide as applied to the class members.

The Court finds the Plaintiffs argument worth merit as 29 USCS §1002(16)(A) and (B) speak both to the person designated by the terms of the instrument and the employer who establishes or maintains the plan. The instrument itself stated that it was a supplement to the Times-O-Guide and that a definition of termination was found in the Times-O-Guide. Plaintiffs were also instructed that any questions with regard to benefits should be addressed to the Times office. Plaintiffs were clearly led to believe that the Times Publishing Company was the administrator of their benefits.

Under 29 USCS §1002(7), each member of the Plaintiff class was a "participant" because each is a "former employee of an employer . . . who is or may become eligible to receive a benefit of any type from an employee benefit plan which covers employees of such employer or members of such organization . . . ". 29 USCS §1132(a)(1)(B) then permits recovery of benefits due if in fact so due.

B. APPLICABLE STANDARD OF REVIEW

Plaintiffs argue that the Defendants' denial of Plaintiffs claims to severance pay in connection with the sale is subject to a *de novo* review by this Court. Plaintiffs contend that the administrator or fiduciary of the plan was not given discretionary authority under the plan to determine eligibility for benefits or to construe the terms of the plan.

The validity of a claim to benefits under an ERISA plan is likely to turn on the interpretation of terms in the plan at issue. Consistent with established principles of trust law, a denial of benefits challenged under §1132(a)(1)(B) is to be reviewed under a *de novo* standard unless the benefit plan gives the administrator or fiduciary discretionary authority to determine eligibility for benefits or to construe the terms of the plan. For purposes of actions under §1132(a)(1)(B), the *de novo* standard applies regardless of whether the plan at issue is funded or unfunded and regardless of whether the administrator or fiduciary is operating under a possible or actual conflict of interest. *Firestone Tire & Rubber Co. v. Bruch*, 489 U.S. 101, 109 S.Ct. 948, 103 L.Ed. 2d 80 (1989). The subject plan does not provide that either Modern Graphic Arts, Inc. or Times Publishing Company has the authority to determine eligibility for benefits. The Court finds that the applicable standard of review is the *de novo* standard.

C. CONSTRUCTION OF "TERMINATION"

Plaintiffs contend that the proper construction of "TERMINATION" is not unemployment but a termination between employer and employee as regards the employment. Plaintiffs state that each transferred employee was "discharged as a full-time staffer" under the Times-O-Guide, or suffered a "termination" under the Staffer Handbook.

Under a *de novo* review, the terms in the plan at issue must be interpreted by the reviewing Court. Unless the plan language specifies otherwise, courts should construe any disputed language 'without deferring to either

party's interpretation' *Brewer v. Lincoln Nar. Life Ins. Co.*, 921 F.2d 150, 153-54 (8th Cir. 1990). The issue is "simply one of contract interpretation." *Harper v. R.H. Macy & Co., Inc.*, 920 F. 2d 544, 545 (8th Cir. 1990). Modern Graphic Arts, Inc.'s Staffer Handbook contains an Introduction that states it is intended only to be a supplement to the Times-O-Guide that each employee received at check-in time at the Times Personnel Office. It also states that if a different interpretation or conflict exists between the Times-O-Guide and the Staffer Handbook, the Times-O-Guide will prevail unless specifically identified to the contrary.

The "IN-LIEU PAY" provision in question states that if an employee is terminated without cause, a staffer is entitled to one week's pay for each complete six month period of employment upon termination. Termination with cause is defined in the Times-O-Guide. In looking at the Times-O-Guide, under Termination, it states, "Our hope is that every staffer who joins the company will stay until retirement. However, we realize this is unrealistic and there will be turnover. Such separations, whether through resignation or discharge are simpler when certain ground rules are stated and understood."

According to the terms of Modern Graphic Arts, Inc.'s policy read along with the terms of the Times policy, the plaintiffs were not involuntarily terminated when the employer-employee relationship was terminated. The policies contemplate unemployment as the result of any termination that would lead to the payment of "IN-LIEU PAY". The Times-O-Guide reads "Such separations, whether through resignation or discharge . . . ". Such language clearly lends a reader to the conclusion

that an employee would be unemployed after the 'separation' no matter how short the term of unemployment. Plaintiffs at no time were unemployed under the terms of the sale of Modern Graphic Arts, Inc.

The 11th Circuit has held that the 'form' of termination is the controlling factor. In *Anderson v. Ciba-Geigy Corp.*, 759 F.2d 1518, 1521 (11th Cir. 1985) cert. denied, 474 U.S. 995, 106 S.Ct. 410, 88 L.Ed.2d 360 (1985), it was found that the "form" of termination was the controlling factor under Ciba-Geigy's own definition of the word. In Ciba-Geigy's Employee Benefit Plan, termination was paid to employees terminated for other than cause. Examples of 'other than cause' included corporate reorganizations. Plaintiffs here can not point to such examples to demonstrate the basis for their belief that they should be paid "IN-LIEU PAY". Likewise, in *Harris v. Pullman Standard, Inc.*, 809 F.2d 1495, 1498 (11th Cir. 1987), the Court found that according to the terms of Pullman's own policy, the sale of the corporation involuntarily terminated the plaintiffs' jobs, thereby making them eligible for severance pay. The terms of Pullman's policy indicated that an employee would be eligible for a termination allowance if the employee's job is eliminated, and a new assignment cannot be found for him within the company. The policy also stated that for all involuntary terminations "other than layoff", the termination allowance would be granted. Modern Graphic Arts, Inc. and Times Publishing Co. did not lead the Plaintiffs to believe that they would be found a new position within the company. Nor did it limit exclusions from benefits for terminations to layoffs.

Likewise, in *Blank v. Bethlehem Steel Corp.*, 926 F.2d 1090, 1093 (11th Cir. 1991), that court stated that other

courts have held that an employee who continues employment with a purchasing corporation has not experienced a layoff by the original employer. Only where the benefit plan calls for continuing employment with the selling employer have courts stated that employment by a purchasing corporation is not considered continued employment and therefore the effected employees are entitled to termination pay. "To further our concept of career employment, the Company will take all practical steps to provide continuing employment, . . . " was held to guarantee employment with the selling company and not interpreted to mean employment with a purchasing company. *Ulmer v. Haesco Corp.*, 884 F. 2d 98, 99 (3d Cir. 1989).

Plaintiffs do not have the benefit of illustrating that their benefits guaranteed continued employment with Modern Graphic Arts, Inc. On the contrary, the benefits available to Plaintiffs seemed to be a guarantee only on unemployment for something other than cause. Plaintiffs were never unemployed.

In light of the provisions in Modern Graphic Arts, Inc,'s benefit's manual together with the provisions in Times Publishing Co.'s Times-O-Guide, it is the opinion of this Court that the plaintiffs are not entitled to termination benefits under their respective plan in the event of the sale of the company by the corporation. Accordingly, it is

ORDERED that Defendants' joint motion for summary judgment on all pending claims is **granted,** and Plaintiff's motion for partial summary judgment as to

liability is **denied.** The Clerk is directed to enter a final judgment of dismissal in favor of Defendants.

DONE AND ORDERED in Chambers, in Tampa, Florida on this 5th day of February 1992.

/s/ Elizabeth A. Kovachevich
ELIZABETH A. KOVACHEVICH
United Stated [sic] District Judge

Copies to:
All parties and counsel of record

UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

William C. Bedinghaus, Robert D. Bacon, and Barbara J. Orr, individually and on behalf of all others similarly situated,	Appellate Case #92-2210
Appellants,	Appeal from the U.S. District Court, Middle District of Florida
vs.	Case #89-1668-CIV-T-17C Class Representation
Modern Graphic Arts, Inc., and Times Publishing Company d/b/a St. Petersburg Times,	
Appellees	

JOINT STIPULATION TO CLARIFY DEFENDANTS-APPELLEES CITATION OF SUPPLEMENTAL AUTHORITY, DATED MARCH 18, 1993

(Filed April 6, 1993)

Plaintiffs-Appellants ("Plaintiffs") and Defendants-Appellees ("Defendants") jointly, through their counsel, hereby file this Stipulation to clarify Defendants' Citation of Supplemental Authority, submitted to the Court pursuant to Fed.R.App.P. 28(j), by letter to the Clerk of Court dated March 18, 1993.

1.

This matter came before the Court for Oral Argument on March 18, 1993. On March 16, 1993, pursuant to Fed.R.App.P. 28(j), the Defendants prepared a Citation of

Supplemental Authority for submission to the Court (the "March 16 Citation"). During preparation for oral argument on March 17, 1993, the Defendants prepared a second letter, pursuant to Fed.R.App.P. 28(j), setting forth additional citations for presentation dated March 18, 1993 (the "March 18 Citation"). The March 16 and March 18 Citations are on file with the Clerk of Court pursuant to Fed.R.App.P. 28(j).

2.

On the morning of March 18, 1993, counsel for Defendants hand delivered a package of documents to Plaintiffs' counsel. Defendants believed the package contained the March 16 Citation and the final version of the March 18 Citation. Counsel for Defendants clearly recalls personally sorting the documents for delivery. However, counsel for Defendants did not realize that the package (which contained approximately 30-40 pages including photocopies of case citations) inadvertently included only a preliminary draft, and not the final version, of the March 18 Citation, in addition to the final March 16 Citation letter.

3.

Counsel for Defendants followed hand-delivery with mail service of the finalized March 18 Citation. After receipt of the mailed service copy of the finalized March 18 Citation, counsel for Plaintiffs and Defendants became aware that the draft March 18 Citation (rather than the final document) had been inadvertently delivered to Plaintiffs' counsel on the morning of March 18.

4.

During March 18 Oral Argument, in response to an inquiry by Senior Judge Thomas A. Clark, Plaintiffs' counsel cited the draft March 18 Citation for the proposition that counsel for Defendants had stated, in correspondence to the Court, that the language of the severance policies in question on this appeal was "unambiguous".[1] (Copy of draft document, inadvertently delivered to counsel for Plaintiff but never filed, is attached to this Stipulation).

5.

Throughout this litigation, both sides have described their respective interpretations of the subject severance policies to be "plain" and "unambiguous". However, they have strongly disagreed concerning the proper meaning and application of these policy terms. By the draft March 18 document inadvertently provided to Plaintiff's counsel, Defendants never stipulated, nor intended to suggest, that Plaintiff's interpretation of the policy was reasonable or unambiguous. The record reflects that the parties' interpretations of policy language are different and, on crucial points, diametrically opposed.

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[1] Upon hearing this exchange on rebuttal at Oral Argument, counsel for Defendants did not know precisely to what portion of either Citation counsel for Plaintiffs was referring and, since Oral Argument was about to end, had no opportunity to further address the matter.

Respectfully Submitted,

Modern Graphic Arts, Inc.
et al.,
Defendants-Appellees

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March 18, 1993

Office of the Clerk
United States Court of Appeals
for the Eleventh Circuit
56 Forsyth Street, N.W.
Atlanta, Georgia 30303

Re: Bedinghaus, et al. v. Modern Graphic Arts, Inc. et al.; File No. 92-2210.

Dear Clerk of Court:

Appellees MODERN GRAPHIC ARTS, INC. and TIMES PUBLISHING COMPANY ("Appellees"), through their undersigned counsel and pursuant to Fed.R.App.P. 28(j), respectfully submit this Citation of Supplemental Authorities in support of their opposition brief on appeal, and pertinent to oral argument in this cause. This letter presents citation to supplemental authorities which have recently come to the attention of Appellees, and which are highly pertinent to issues on appeal.

Construction of ERISA Plan Terms

Appellants suggested on Reply Brief that this court must construe any ambiguity in Plan Terms against Appellees, as drafters of the Plan. This assertion is incorrect; such a construction is contrary to the Supreme Court's pronouncement in *Firestone Tire and Rubber Company v. Bruch*, 489 U.S. 101, 112, 109 S.Ct. 948, 955, 103 L.Ed.2d 80 (1989). The holding of *Bruch* is confirmed by recent authority, which has come to the attention of Appellees since filing their opposition brief. *Allen v. Adage, Inc.*, 967 F.2d. 695, 701 (1st Cir. 1992) (copy provided to the Court in letter of March 16, 1993); *see Taylor v. Continental Group*, 933 F.2d 1227, 1233 (3rd Cir. 1991) (court should not apply principle of construction against the drafter unless and until the court has attempted to determine the intended meaning without construing it in favor of any party) (attached hereto as Exhibit A); *Franklin v. Pitney Bowes, Inc.*, 919 F.2d 45, 48 (6th Cir. 1990) (declining to interpret terms of plan strictly against the company) (attached hereto as Exhibit B). These cases

confirm the holding of *Bruch*, that the Court should interpret plan terms without deferring to either party's interpretation. The plan terms at issue on this appeal are unambiguous, and should not be construed against Appellees as the drafter.

Summary Judgment Is Appropriate Even If Plan Language Is Ambiguous

Appellants also claimed on Reply Brief that summary judgment is not appropriate where plan terms are ambiguous. *Allen v. Adage, Inc., supra,* squarely refutes this contention. The question whether a contract term is ambiguous is a question of law for the court; even if the language presents an ambiguity, the evidence presented concerning the parties intended meaning may be so one-sided that no reasonable person could decide to the contrary. Summary judgment is fully appropriate in this case. *Allen*, 967 F.2d at 698; *Franklin v. Pitney Bowes, Inc., supra,* 919 F.2d at 47-48. Even if the plan terms at issue were ambiguous (they are not), the evidence presented as to the intended meaning of the terms uncontrovertedly establishes the meaning proffered by Appellees; summary judgment was fully appropriate.

Comparable Employment Does Not Mean Identical Benefits

Appellants further suggested on Reply Brief that since, in their view, one aspect of their benefit package with their new employer is somehow different than that which had been provided by Appellees, their new employment could not be "comparable" and severance

pay is mandated. This contention is flatly refuted by *Awbrey v. Pennzoil Co.*, 961 F.2d 928, 931 (10th Cir. 1992) (attached hereto as Exhibit C). *Awbrey* confirms the holding of *Sejman v. Warner-Lambert Co.*, 889 F.2d 1346, 1350 (4th Cir. 1989), cited in Appellees' brief in opposition, that comparable benefits do not mean identical benefits; some different in the benefit plans are expected. Severance pay is not mandated by provision of comparable, although not identical, benefits.

And, *Franklin v. Pitney Bowes* and *Allen v. Adage*, confirm Appellees' contention that employee's subjective expectations of continued employment or entitlement to severance benefits are irrelevant where the Plan terms do not support such hope or expectation. The language of the Plan, not the hopes of Appellants, controls.

Appellees believe that the cited *Taylor, Franklin*, and *Awbrey* cases are highly pertinent issues in this appeal.

Respectfully submitted,

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MCK/mec
Enclosures

cc: Senior Judge Thomas A. Clark (via Hand Delivery)
Senior Judge Jesse E. Eschbach (via Hand Delivery)
Judge Joel F. Dubina (via Hand Delivery)
Counsel of Record (via Hand Delivery)